

**Executive**

<b>Report title</b>	<i>Gresham Redevelopment</i>	
<b>Executive Member*</b>	<i>Councillor Charles Rooney – Deputy Mayor and Executive Member for City Centre Strategy</i> <i>Councillor Nicky Walker – Executive Member for Finance and Governance</i>	
<b>Chief Executive or Director</b>	<i>Kevin Parkes – Executive Director Growth and Place</i> <i>James Bromiley – Strategic Director Finance, Governance and Support</i>	
<b>Date</b>	<i>1<sup>st</sup> August 2018</i>	
<b>Purpose of the report</b>	<i>To update the Executive on the Gresham Student Village proposals and seek approval to dispose of part of the site to Teesside University and bring forward housing development on the rest of the site.</i>	
<b>Summary of the report</b>	<i>The report will update the Executive on the Student Village proposals and will seek approval for the disposal of part of the site to Teesside University. The report will further recommend that housing is brought forward on the site in two phases.</i>	
<b>If this is a key decision, which key decision test applies?*</b>	Over the financial threshold (£150,000)	X
	Amends the Council’s policy framework	
	Affects two or more wards	
	Non-key	
<b>For the purposes of scrutiny call in procedure this report is*</b>	Exempt under s.12a Local Government Act 1972	
	Urgent	
	Non-urgent	X
<b>If this is a confidential report, which exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>	No	
<b>Decision(s) asked for</b>	<p><i>That Executive approves:</i></p> <ul style="list-style-type: none"> <li><i>the sale of the Council’s land to Teesside University for £2m to facilitate the Student Village development, subject to the conditions set out in Paragraph 20;</i></li> <li><i>delegated authority for the Strategic Director, Finance, Governance and Support and Executive Director, Growth and Place, following consultation with the Executive Member for Finance and Governance and Deputy Mayor and Executive Member for City Centre Strategy, to agree terms with Teesside University, within the scheme of delegation, for the</i></li> </ul>	

	<p><i>sale of the Student Village site;</i></p> <ul style="list-style-type: none"> <li>• <i>amendments to the Gresham masterplan to incorporate public open space in the housing development;</i></li> <li>• <i>the disposal and marketing of Phase 1 of the housing land for development; and,</i></li> <li>• <i>the future disposal and marketing of Phase 2, once the remaining properties have been cleared.</i></li> </ul>
<b>Impact of decision(s)</b>	<p><i>The decision will amend the Gresham masterplan that was approved by Executive in November 2016 and will facilitate the development of a Student Village and new housing on the site, which will generate income via Capital Receipts, Council Tax and New Homes Bonus.</i></p>

### **What is the purpose of this report?**

1. The report will update the Executive on the current position regarding the Gresham Student Village and seek approval to bring forward housing development on the wider site.

### **Why is this report necessary?**

#### Background

2. The Council has been acquiring properties in Gresham to facilitate redevelopment since 2005. The site is excellently located, in close proximity to the city centre and Teesside University's campus, and presents an opportunity to create a new gateway into the town from the A66/A19.
3. On the 1st November 2016, the Executive approved the "Gresham – Masterplan and Regeneration" report, which highlighted that Teesside University had experienced a period of unprecedented growth that has seen an investment of £250m to develop the city centre campus and were committed to investing in growth and enhancing the experiences of their students, businesses they work with and the local community.
4. The report stated that the Teesside 2020 – University Corporate Strategy includes the aims to:
  - a) Grow student numbers and revenue on and off campus; and,
  - b) Deliver and maintain a high-quality campus and associated infrastructure to maximise the student experience.
5. Gresham was identified by the Council and Teesside University as an ideal location for a high quality Student Village development with modern accommodation that offers everything a student needs for university life.
6. The Report gained approval for:
  - a) the adoption of a high level masterplan that included the Student Village, housing development and public open space (see Plan 1);

- b) a resolution to take all necessary steps to secure the making, confirmation and implementation of a Gresham Compulsory Purchase Order (CPO); and,
- c) the commencement of a formal market engagement process to identify developer interest in the proposed Student Village.

These recommendations were subsequently actioned and work has progressed to secure the CPO and bring forward the proposed development.

7. The Middlesbrough Investment Prospectus 2017 recognised that that the demand for student amenities presented further opportunities to bring forward development in Gresham, underpinned by the presence of a new Student Village. The development of the University Quarter is one of the key commitments for the transformational improvement of the city centre and will enhance Linthorpe Road as a centre for independent retail and the night time economy.

### Student Village

8. Over the past 18 months, the Council and Teesside University have held discussions with two developers regarding the Student Village proposals. Both developers' proposals included circa 450 bed spaces of student accommodation for lease to the University.

### **Objectives**

9. In considering the Student Village proposals, weight has been given to both the benefits which can be achieved through the delivery of the project and the standing duty of care with regard to demonstrating Value for Money for the public purse. The objectives of the Student Village scheme were to:
  - a) Deliver the Council's high level masterplan;
  - b) Support Teesside University's ambition to grow student numbers.
  - c) Dispose of the land, either by outright sale with a covenant, or a long lease.
  - d) Achieve Value for Money for the disposal, including consideration of abnormal costs.
  - e) Ensure that there were no expectations around future funding from the Council on the site.
  - f) Ensure that the proposed scheme was financially deliverable.
10. Teesside University has been unable to agree lease terms with either developer and has ended the negotiations. The University subsequently confirmed their interest in directly acquiring the site to bring forward their own Student Village development and have submitted a written offer for the Council's land.
11. Teesside University's bid is to acquire the freehold of the area allocated for the Student Village in the high level masterplan. The University and the Council will agree wording for a covenant that places appropriate restriction on the future use of the site, primarily for the provision of student accommodation and other ancillary uses. The financial offer meets the Council's expectations in terms of land value. There is also no requirement for the Council to contribute towards the cost of any public realm within the site boundary.

12. The two developers that the University have been dealing with have also formally expressed their desire to acquire the site and develop it themselves but there are fundamental concerns in respect of their ability to deliver the objectives stated in Paragraph 9.

13. Developer A

- Requested a further 12 months exclusivity “in order to enter into a period of real collaboration and produce absolute definition for the future of Gresham”. The offer is therefore a proposal to negotiate.
- Land requirement is greater than that allocated in the high level masterplan and would reduce the number of houses that could be developed.
- The proposed development is mixed-use including a hotel and car park etc. but does not name operators. The additional development cannot be considered “ancillary” to the main purpose of student accommodation.
- The developer has not agreed any nomination rights for the student accommodation with Teesside University and can give no commitment that this would be forthcoming.
- The developer does not have a track record of delivering projects on this scale.
- The financial offer does not quantify abnormal costs. This puts the offer at risk of being substantially reduced.

14. The bid received from Developer A does not accord with the high level masterplan, proposes an initial 12 month period of exclusivity, and will not gain nomination rights from Teesside University and therefore does not meet the Council’s objectives.

15. Developer B

- Offer is predicated on the Council taking a 40-year lease of the completed development. This means the Council would take on all future risk on occupation and development value. Additionally, this would have major implications for the Medium Term Financial Plan.
- The developer has not agreed any nomination rights for the student accommodation with Teesside University and can give no commitment that this would be forthcoming. This potentially puts the deliverability at risk.
- The Council would be required to bear all the risk associated with the letting of the development, with little security.
- The financial offer does not quantify abnormal costs. This puts the offer at risk of being substantially reduced.

16. The bid from Developer B proposes that the Council take a long lease of the completed development. Whilst there may be reward in taking on a long lease, given the inherent risks, the Council cannot support taking on such a risk. For this reason, the bid from Developer B does not meet the Council’s objectives

17. Following the assessment of the bids from Developer A and Developer B, the University’s offer is considered to be the only bid that realistically can be delivered on the basis that:

- The land requirement accords with the Council's high level masterplan.
- The financial offer meets the Council's expectations. Early discussions on abnormal costs anticipate confirmation from the University that the offer will likely be net, based on the Council's site reports not indicating anything significant, unless the University's own site investigations reveal anything material or currently unknown.
- Teesside University have a proven track record of delivering on-campus developments.
- The University will be responsible for the letting of the completed development. The Council therefore has little or no long term risk.

18. The Teesside University offer of £2m is subject to the Council completing the land clearance, which includes the acquisition by the Council of the remaining properties on the site and the breakthrough from the site on to Linthorpe Road (the Council has already acquired the properties to enable this breakthrough) and, as is typical for land sales, subject to planning permission being granted for a Student Village. The Council will allow the demolition of the Linthorpe Road properties, provisionally estimated at £100k including contingencies and making good, to be treated as an abnormal cost.

19. The financial terms proposed by the University meet the Council's expectations in terms of land value (established by an independent valuation undertaken by Kier in March 2018 for the Council) and this report will recommend that the Executive approve the sale of the land to Teesside University to facilitate the Student Village development. The University's offer did however confirm it will be substantiating the land value by their own valuation and it's offer is subject to agreeing the red line boundary of the site.

20. It is further recommended that the agreement of the exact terms of the site disposal will be delegated, within the scheme of delegation, to the Strategic Director, Finance, Governance and Support and Executive Director, Growth and Place, following consultation with the Deputy Mayor and Executive Member for City Centre Strategy and the Executive Member for Finance and Governance. It is envisaged that the Council and the University will agree:

- a) the red line boundary of the development;
- b) the detailed terms of the deal in accordance with the delegated authority;
- c) the submission of a high level indicative plan setting out the University's ambition for the site;
- d) the retention of land for the provision of a public car park (work to be completed by the Council) to meet the needs of businesses and customers on Linthorpe Road;
- e) the retention of rear access to allow for the redevelopment of The Crown;
- f) the retention of rear access to existing properties on Linthorpe Road and Borough Road;
- g) that the University will be responsible for all development and associated costs within the red line boundary;

- h) engagement with the local community and businesses in respect of the design and layout of the scheme prior to the submission of any planning application;
- i) timescales for the completion of site assembly and,
- j) timescales for the start and completion of development, including any buyback provision.

21. An Asset Disposal Business Case has been completed in accordance with the Asset Disposal Policy, which includes both current and proposed use valuations provided by Kier, and is attached to this report.

### Housing Masterplan

22. When the high level masterplan for Gresham was adopted, it was envisaged that new housing would come forward as a second phase of development, following the creation of the Student Village. The Council has, however, progressed acquisitions across the site to the point where there is only one property left to acquire outside the Student Village boundary (see Plan 2).

23. The Council has an aspiration to accelerate the pace of housebuilding to ensure that the Council maintains a high level of housing development that supports the growth of both the population and the economy. To this end, the Council has commissioned consultants to develop a housing masterplan to deliver a new high quality residential development in order to create a stable, vibrant and balanced town centre housing market.

24. The masterplan will integrate with the Student Village and embrace contemporary design and modern methods of construction. The design rationale for the emerging masterplan has focused on creating, and enhancing links to the city centre, Teesside University's campus and the vibrant Linthorpe Road as this is deemed key to creating a sustainable, long lasting community in the area. The scheme will be ambitious and seek to provide a quality of development that will uplift the whole area.

25. The proposals move away from the high density housing, which is typical to the area and provides better proportioned plots focused around private, semi-private and communal outdoor space. The scheme will incorporate appropriate provision for landscaping, walking, cycling and a safe and secure environment. The housing will be designed to stitch the site together, including the integration of the existing Parkville Care Home.

26. High quality urban realm, public artwork and street lighting are vital to ensuring the success of the masterplan with strong sight lines over amenity spaces to discourage antisocial behaviour and create ownership of these areas.

### Public Open Space

27. As part of taking the Gresham Masterplan forward, further work has been undertaken examining the role and nature of the public open space originally identified in the masterplan. Open space will be provided as an integral component

of the scheme and adds significantly to the urban design and quality of the development. However, this will be 'integrated' within the scheme.

28. The exact form, size and design of the open space will be a matter for the detailed design stage of the scheme. Open space and how it is used and integrated within the development will be critical in achieving a quality development that transforms the area.
29. In order to facilitate the provision of open space as part of the residential development, this report will recommend that the masterplan is amended to remove the specific designation of public open space (Plan 3).

### Housing Development Proposals

30. It is proposed that housing development is brought forward in two phases. The area of the site shown as Phase 1 on the attached Plan 2, is wholly in the Council's ownership and is fully cleared. This report will, therefore, recommend the disposal and marketing of Phase 1 of the site for housing development. In the future, either or both of these phases may be considered by the Middlesbrough Housing Delivery Vehicle as potential development site(s) but, irrespective, the Council needs to ensure it provides guidance on place making and ensures that the local community are engaged in the principles of development.
31. There is only one property left to acquire in the area designated Phase 2. Negotiations are ongoing to secure the remaining acquisition but the Council may be required to have recourse to its Compulsory Purchase powers in order to complete the purchase of the property. The development of Phase 2 will, therefore, be brought forward when the site is fully assembled.
32. The Council has an aspiration to deliver an iconic housing development in Gresham. To this end, the housing masterplan will be used as a basis for the production of Development Guidance that will be the subject to consultation with the community and will be formally adopted by the Council.
33. The adoption of the Development Guidance will enable the Council to assess bids for the land against the design criteria in order to ensure that both price and quality are being considered. Subsequent planning applications will also be expected to conform to these design requirements in order to gain approval.

### CPO Update

34. The Gresham CPO Order was submitted to the Secretary of State on the 26<sup>th</sup> January 2018. However, on the advice of the Ministry of Housing, Communities and Local Government (MHCLG) due to some technical discrepancies with the plans attached to it (referencing a large number of individual properties and interests) this was subsequently withdrawn.
35. Those discrepancies have now been resolved and a new Order will be made with the name 'Land at Newport' in order to avoid any confusion for members of the public. The new Order will be based upon the revised masterplan, subject to the approval of the recommendations of this report. The CPO process will inform the

agreement that can be reached on timescales for land assembly and completion of development as noted under paragraphs 20 (i) and (j).

36. The Council does, however, remain committed to acquisition by agreement, wherever possible, and has continued to negotiate with property owners throughout the CPO process and a new relocation assistance scheme has been approved. There are only 10 of 561 properties left to acquire and several owners have chosen to engage with the Council since the introduction of the new relocation packages.
37. The report has been brought to the Executive as the value of the Gresham site exceeds the financial threshold of £150,000.

### **What decision(s) are being asked for?**

38. That Executive approves:
- a) the sale of the Council's land to Teesside University for £2m to facilitate the Student Village development, subject to the conditions set out in Paragraph 20;
  - b) delegated authority for the Strategic Director, Finance, Governance and Support and Executive Director, Growth and Place, following consultation with the Executive Member for Finance and Governance and the Deputy Mayor and Executive Member for City Centre Strategy, to agree terms with Teesside University, within the scheme of delegation, for the sale of the Student Village site;
  - c) the amendment of the high level masterplan to incorporate the public open space within the housing development;
  - d) the disposal and marketing of Phase 1 of the housing land for development; and,
  - e) the future disposal and marketing of Phase 2 of the housing land, once the remaining properties have been cleared.

### **Why is this being recommended?**

39. The Executive Report of the 1 November 2016 stated that the Council had held discussions with Teesside University regarding their expansion plans and had identified Gresham as an ideal location for a high quality off campus development. The University has subsequently made an offer to acquire the site in order to develop the Student Village themselves. The offer meets the Council's expectations in terms of land value so it is recommended that terms are agreed that would achieve the objectives of both organisations.
40. The inclusion of the public open space in the housing masterplan will allow it to be framed with buildings/development. The development will provide an increased level of surveillance and security making it much more attractive as usable public space.
41. The new housing development in Phase 1 will set the bar for the quality of new homes across the rest of the site and will generate Council Tax and New Homes Bonus that will support the Council's Medium Term Financial Plan.



42. Stakeholder consultation has not been carried out during the preparation of this report but will be undertaken as part of the statutory planning process for both the Student Village and housing development. Consultation will also be undertaken on the Development Guidance as part of the pre-planning consultation.
43. The Economic Regeneration and Transport Scrutiny Panel investigated the Gresham Regeneration between July and October 2012. The Panel has subsequently received regular updates on the progress of the project.

### **Other potential decisions and why these have not been recommended**

44. The Council could undertake a formal procurement exercise to bring forward the Student Village development but the offer from the University meets the Council's valuation of the land and the University have a strong track record of delivering high quality development as evidenced by their recent campus improvements. The University's covenant is also considered key to attracting students and de-risking the development.
45. The Council could undertake an OJEU Competitive Procedure with Negotiation, rather than a traditional land sale to bring forward housing development in Phase 1. However, by adopting Development Guidance, the Council is able to exert control over the quality of the development via the statutory planning process.

### **Impact(s) of recommended decision(s)**

#### ***Legal***

46. With regard to the proposed Student Village land disposal: the Council will be acting under the powers granted to it by section 123 of the Local Government Act 1972: best consideration for the land and its proposed use as a Student Village, as evidenced by the independent valuation, will be obtained. The land disposal transaction, if approved, will be appropriately documented, including any conditional contract for sale, transfer, buy-back option and any other supporting documentation required.
47. Similarly, with regard to the proposed housing development, any transfers of land to developers will be subject to prior marketing of the site(s) to establish best consideration. The Council will not be carrying out an OJEU exercise to procure works, and as such the disposals will be land deals only, and not subject to the procurement regime
48. Legal and Democratic Services will continue to be lead the CPO process and will be consulted throughout the respective site disposals to ensure compliance with the relevant governance processes.

#### ***Financial***

49. The Council has estimated the cost to acquire the remaining 10 properties and has the capital funds in place to do so.

50. The financial terms proposed by Teesside University meet the Council's expectations in terms of land value, as established by an independent valuation undertaken by Kier in March 2018.

51. The Head of Financial Planning and support has been consulted on the Student Village and housing proposals and will ensure that the respective land disposals are taken forward in accordance with the Asset Disposal Process.

### ***The Mayor's Vision for Middlesbrough***

52. The decision is aligned to the Mayor's Vision for a Stronger Middlesbrough and would contribute towards the priority to strengthen our city through bold and innovative regeneration. The decision is also aligned to the Council's Strategic Plan as it would enable both physical and social regeneration.

### ***Policy Framework***

53. In addition to the Mayor's Vision and the Council's Strategic Plan, the decision is aligned to the Medium Term Financial Plan as the proposed development will generate income from New Homes Bonus and Council Tax.

54. The Gresham site is included within Policy H17 of the Housing Local Plan, which envisages redevelopment of the area, providing a high quality mix of new dwellings, commercial, retail and leisure development.

### ***Wards***

55. The Gresham Regeneration Area is located in the Newport Ward.

### ***Equality and Diversity***

56. The attached IA (Appendix 1) has concluded that the Gresham redevelopment would not have any disproportionately negative impacts. The proposal supports the regeneration of an area and would have a positive impact on the social, economic and environmental well-being of Gresham.

### ***Risk***

57. The recommendations set out in this report will bring forward the development of a Student Village and new housing. The key risks associated with the recommendations are set out below.

- a) **Failure to secure a CPO** – The ability to deliver a fully assembled site is key to the Student Village development. As the vast majority of the properties have been acquired, the number of potential objectors has been reduced. The Statement of Reasons will be amended to refer to the sale of the site to Teesside University which will further reduce the risk of the CPO not being approved.
- b) **Lack of housing developer interest** – The Council recently held a successful Developer Event to generate interest in a range of future housing site opportunities. A number of developers have subsequently expressed interest in several sites, including Gresham.

- c) **Deliverability of the Student Village** – The recommendation to dispose of the site to Teesside University, with its track record of delivery, greatly reduces the risk that the scheme may not be deliverable.

### **Actions to be taken to implement the decision(s)**

58. The following actions will be undertaken to implement the recommended decisions:

#### CPO

- Make the revised Newport CPO Order - August 2018.

#### Student Village

- Agree Heads of Terms with Teesside University – September 2018.

#### Housing Development

- Adopt Development Guidance – October 2018.
- Market Phase 1 site – October 2018.
- Outline planning approval – February 2019.
- Approval to dispose – March 2019.
- Erect site hoardings – March 2019.
- Exchange of contracts – June 2019.
- Detailed planning approval – October 2019.
- Developer start on site – January 2020.

### **Appendices**

Plan 1 - High Level Masterplan

Plan 2 - Development phasing Plan

Plan 3 - Revised Masterplan

Appendix 1 - Impact Assessment

### **Background papers**

<b>Body</b>	<b>Report title</b>	<b>Date</b>
Executive	Gresham – Masterplan and Redevelopment	1 <sup>st</sup> November 2016